

Centers of Excellence (COE) Study – Executive Overview

*Collaboration & Transformation (C&T) Shared Interest Group (SIG)
Financial Management Committee*

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Agenda

- ✓ COE Background and Engagement Team
- ✓ Engagement Objectives and Approach
- ✓ Scope and Workstreams
- ✓ Media Research Findings: Objectives and Types
- ✓ Media Research Findings: COE Lessons Learned
- ✓ Interview Overview and Summary
- ✓ Evaluation Criteria and Model
- ✓ Candidate COEs
- ✓ Data Considerations
- ✓ Next Steps

COE Background and Engagement Team

Background:

- ✓ Treasury Office of Financial Innovation and Transformation (FIT) identified the concept of Centers of Excellence (COE). This is a niche system or service that is considered specialized and/or separate from an integrated system that has multiple functional components. Multiple agencies or shared service providers (SSPs) could use a COE to provide the niche service.
- ✓ In Fall 2013, the ACT-IAC C&T SIG Financial Management Committee formed a team to work with FIT to identify candidate business functions for COEs and a method for evaluating them.

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Engagement Team:

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Engagement Objectives and Approach

Objectives:

- ✓ Define possible COE candidates for financial business functions.
- ✓ Define criteria for evaluating COE candidates.
- ✓ Use the established criteria to evaluate the COE candidates.
- ✓ With Treasury approval, do a more thorough evaluation of the top identified candidates.

Approach:

Understand the
Assignment

Identify and
Collect Data

Generate
Results

Define Scope
and
Workstreams

Develop
Evaluation
Criteria and
Model

Document and
Present
Findings

Scope and Workstreams

- ✓ The COE engagement team has extensive experience in federal financial management.
- ✓ The COE team was organized into four work streams to complete the study.
- ✓ The combination of experienced subject matter experts (SMEs) and media research, interviews, a model and data considerations yielded a comprehensive scope to define a set of COE candidates.

Workstream	Scope
Media Research	<ul style="list-style-type: none"> ✓ Conducted a literature review across available media to identify candidate COEs from models used by other government or corporate entities. ✓ Identified lessons learned related to the successful transition to those COEs.
Interviews	<ul style="list-style-type: none"> ✓ Prepared a questionnaire and conducted interviews with federal Chief Financial Officers (CFOs), deputy CFOs, controllers, and other financial management SMEs. ✓ Generated additional ideas for COEs based on interview findings.
Evaluation Model	<ul style="list-style-type: none"> ✓ Built a normalized quantitative model based on the factors identified by the research and interview teams to down select possible COE candidates.
Data Considerations	<ul style="list-style-type: none"> ✓ Researched the potential data standardization and migration issues surrounding the stand up of a new COE.

Media Research Findings: COE Objectives and Types

COE Objectives as Reported in the Media:

- ✓ Reduce the cost of back office corporate services via asset sharing and minimize associated process costs.
- ✓ Drive service excellence by freeing the department to focus on mission/core objectives and professionalizing corporate service functions.
- ✓ Increase operational efficiency through improved benchmarking, comparable between organizations which in turn could potentially improve performance.
- ✓ Realize economies of scale through the aggregation, standardization, and centralization of common 'back office' corporate functions such as finance, human resources, payroll, and procurement.

COE Types:

Description of COEs

Scale

- Volume-based Services – Transactional, processing, and administrative - that are delivered to most employees or to external customers and can be maximized by aligning economies of scale.

Expertise

- Knowledge-based Services – Specialized expertise, consultative and integrated solutions, supported by common business processes to provide consistent delivery (Scotland).

Regulation

- Knowledge-based Services – Specialized regulation expertise rather than specific business process, could also be a COE that is established in response to a specific legislation or need.

Media Research Findings: COE Lessons Learned

Lessons Learned:

Do's -

- ✓ **Strong governance** is essential and efficiency gains are proportional to the level of mandating in the use of shared services – during transition and operations.
- ✓ **Independence** is important to incentivize a better quality of services at a lower cost.
- ✓ Delivery of shared services is not a core government skill and **bringing in operational and commercial expertise** is vital to improving current capability.
- ✓ **On-boarding** to a bespoke service can be expensive and issues on charging between public organizations can act as a barrier, e.g., smaller organizations need an affordable solution.
- ✓ Shared services comprise a range of key components that influence cost and **require standardization** – infrastructure, IT platform, ERP solution, business change, business processes.
- ✓ Promote open and regular communication between the service customer and the provider in order to **maintain trust**.

Don'ts -

- ✓ **Don't do it for cost alone** – Can be very complex undertaking and implementation costs can be large
- ✓ **Don't set up a monopoly** – It does not provide incentives for service level agreements and good customer service.

Interview Overview and Summary Findings

Interviews:

- ✓ Prepared nine questions to collect insights about financial management shared services and COE candidates.
- ✓ Sent questions to participants in advance.
- ✓ Interviewed five senior executives from the Federal Government in person or over the telephone.

Observations:

- ✓ The Federal Government is far behind private industry in using shared services.
- ✓ Federal SSPs are not viewed as entrepreneurial.
- ✓ Part of the vision for SSPs should be that providers can come and go – part of the plan – evolution.
- ✓ Success comes from service delivery packaging. For example, it is not necessarily about accounting, its it is about the soft skills, such as customer services and commit to continuous improvement.

Recommendations:

- ✓ Keep COE scope narrow and clearly defined. If the COE is too broad, it can be difficult to implement.
- ✓ Expect lower risk to implementing COE based on existing pockets of excellence rather than building new provider.
- ✓ There should not be a monopoly or just one provider for a COE.
- ✓ COE providers need to have sufficient scalability and bandwidth.

Candidate COEs

Candidates Evaluated:

Acquisition Management
Charge Card Management Charge Card Administration Charge Card Payments Procurement/Acquisition Assisted Acquisition Contract Writing

Asset Management
Asset purchase especially commodity Fleet Management Property and Buildings/Facilities Management Surplus property

Other
Data Management Device Management Document Management Drug Testing Health Clinics in government buildings Medical Claims Processing Translation, Interpretation, and other linguistic services

Core Financial Management
Accounts Payable Electronic Invoice Receipt Lockboxes pay.gov for credit card payments from public Prevent Erroneous Payments Telecommunications Payments Utility Payments Accounts Receivable Billing Debt Management Delinquent Debt Management General Ledger Financial Reporting and Statement Generation

Human Resource Management
Payroll Position Management Talent Management (training and certifications) Transit benefits

Mixed Financial Management
Budget Formulation Data Analytics Basic Financial Management Analytics Program - Financial Analytics Grants Management Grant Administration Grant Applications Grant Payments Loans Loan Award (make the loan) Loan Servicing Travel Relocation Counseling Relocation Payments Travel Booking Travel Payments Travel System Administration

Data Considerations

- Must have defined integration/exchange standards
- Needs a broad strategic view of your Enterprise Architecture
- Will need to revisit procedures for Data Quality and Governance

Next Steps

- ☐ Finalize the list of down-selected COE candidates
- ☐ Evaluate the list of down-selected COE candidates in more detail focused in three main categories:
 - ☐ Business Requirement
 - ☐ Provider Operational Maturity
 - ☐ Customer Implementation Risk
- ☐ Work with Treasury to define high level data requirements for COEs.